

**DEPARTMENT OF TRANSPORTATION
GUIDELINES FOR PERSONAL USE OF STATE VEHICLES
TAX REPORTING REQUIREMENTS
March 2005**

GENERAL INFORMATION

The value of **personal use** of State-owned or leased vehicles (including daily rental cars) is taxable income and must be reported to the State Controller's Office (SCO) using the Special Valuation Rules per Internal Revenue Service (IRS) regulations. Personal use includes:

- Miscellaneous non-business trips, daily work commutes, etc. Commutes include trips from home to headquarters and regular office and headquarters/regular office to home. If an employee routinely works at the same multiple sites, the commute to each of those sites and back home again are also a personal commute.

All employees are required to report the use of a State-owned or leased vehicle to their Managers/supervisors. **Managers/supervisors (not employees) must apply facts and circumstances on a case-by-case basis to determine taxable personal use and if tax exemptions apply.**

The IRS considers the nature of the vehicle, nature of the employer's need to use qualified non-personal use vehicles and other factors (such as frequency of personal use) to determine "facts and circumstances". These combined factors must be applied by supervisors on a case-by-case basis to determine whether a vehicle's use is taxable.

The California Department of Transportation (Department) adopted the Commuting Valuation Rule. Under this Rule, the reportable/taxable value is \$1.50 per one-way commute or \$3.00 **per** round trip. Employees whose compensation equals or exceeds an annually adjusted level, which is \$117,600 for 2001, cannot use this method. These employees should contact the Travel Policy Section at (916) 227-9079 for specific instructions.

REPORTING

Employees are required to complete and submit Form PM-0041, Personal Use of State Vehicles, for personal use of all State-owned or leased vehicles (including daily rental cars) on miscellaneous non-business trips, daily work commutes etc., to their supervisor **on the last working day of each month.** Form PM-0041 can be obtained on the Caltrans' Electronic Form System web-site located at <http://adsc.caltrans.ca.gov/CEFS/>

Supervisors are responsible for signing and ensuring that Form PM-0041 is completed accurately and signed by the employee. **Form** PM-0041 must be faxed to (916) 227-9357 or CALNET 8-498-9357, or forwarded to the Travel Policy Section, MS-25, **by the 3rd third calendar day of the subsequent month.**

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The Travel Policy Section is responsible for transcribing information from Form PM-0041 to the Standard Form 676V, Fringe Benefit Employee Business Expense, and forwarding to the State Controller's Office, W-2 Unit **no later than the 10th day of the subsequent month.**

Example: An employee submits a properly completed Form PM-0041 by July 31, 2001. The supervisor must review and fax, or forward the form to the Travel Policy Section by August 3, 2001. The Travel Policy Section must transcribe the form to the Standard Form 676V and forward to the SCO, W-2 Unit no later than August 10, 2001.

EXEMPTIONS TO REPORTING

Within tax law, there are several Personal Use of State-Owned Vehicles (PUSV) tax exemptions that apply to the Department. Managers and supervisors must determine whether or not an exemption applies on a case-by-case basis.

De Minimis Fringe Benefits: If an employee commutes in a State-owned or leased vehicle no more than once a month, the value is exempt from gross income, per IRS Regulation 1.132-6(d)(3). This Rule is available to cover infrequent, irregular situations. **The regulation does not automatically provide for 12 free commutes in a calendar year.** A commute is defined as a round-trip from home to office or office to home and return and/or any two one-way trips from home to office or office to home.

Qualified Non-Personal Use Vehicle: The value of a qualified non-personal use vehicle is excluded from gross income, per IRS Regulation 1.274-5T(k)(2). To qualify, the following conditions must be satisfied and documented by actual facts and circumstances.

A qualified non-personal use vehicle is any vehicle that is not likely to be used or is used minimally for personal purposes because of the way it is designed. Included are the Department's qualified non-personal use vehicles:

The detailed requirements of the above-qualified non-personal use vehicles are listed below:

1. Bucket Trucks – Department's "cherry pickers".
2. Qualified specialized Utility Repair Trucks (not including the Department's vans or pickup trucks) specifically designed and used to carry heavy tools, testing equipment, or parts **if:** The shelves, racks, or other permanent interior construction which has been installed to carry and store such heavy items is such that it is unlikely that the truck will be used more than a de minimis amount for personal purposes, **and the**

employer requires the employee to drive the truck home in order to be able to respond in emergency situations for purposes of reporting or maintaining, electricity, gas, telephone, water, or steam utility services.

3. A pickup truck with a loaded gross-vehicle weight **under** 14,000 pounds is a qualified non-personal use vehicle if the pickup truck has been specifically modified with the result that it is **not** likely to be used more than a de minimis amount for personal purposes and it falls into **one** of the following categories:
 - The vehicle is clearly marked with the Department's permanently affixed decals or with special painting or other advertising associated with the Department's trade, business, or function and is equipped with at least **one** of the following: a hydraulic lift gate, permanently installed tanks or drums, permanently installed side boards or panels materially raising the level of the sides of the bed of the pickup truck, or other heavy equipment, such as an electric generator, welder, boom, or crane used to tow automobiles and other vehicles.
 - The vehicle is clearly marked with the Department's permanently affixed decals or with special painting or other advertising associated with the Department's trade, business or function, is actually used primarily for transporting a particular type of load other than over the public highway in connection with a construction, manufacturing, processing, farming, mining, drilling, timbering, or other similar operations, **and** has been specially designed or modified to a significant degree for such use.
4. A van with a loaded gross-vehicle weight **under** 14,000 pounds is a qualified non-personal use vehicle if the van has been specifically modified with the result that it is **not** likely to be used more than a de minimis amount for personal purposes and **if**:
 - It is clearly marked with the Department's permanently affixed decals, or with special painting or other advertising associated with the Department's trade, business, **or** function.
 - It has a seat only for the driver or the driver and one other person, and either permanent shelving has been installed that fills most of the cargo area or the cargo area, is open and the van constantly (during both working and non-working hours) carries merchandise, material, or equipment used in Caltrans' trade, business, or function.